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SUBJECT: OVERVIEW OF CAMEROON'S OIL AND GAS SECTOR

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¶1. (U) Summary: Cameroon is the seventh largest oil producer in Sub-Saharan Africa, not including the oil transiting Cameroon in the \$4 billion Chad-Cameroon pipeline owned and operated by an Exxon Mobil-led consortium. Although French company Total accounts for two-thirds of current exploration and distribution, U.S. companies retain a major stake in the sector. In light of recent attacks in the Gulf of Guinea region, the Government of Cameroon (GRC) is taking steps to improve security. Beyond oil, the GRC is playing up the promise of its gas reserves, hoping to attract several companies to explore for gas. Cameroon's first gas thermal plant project, led by American energy company AES, has been delayed by disputes over the finance structure of the deal. End Summary.  
Oil Production

¶2. (U) Cameroon is the seventh largest oil producer in sub-Saharan Africa (fifth in Central Africa), producing 31.2 million barrels (85,600 barrels/day) in 2007. The production level has been relatively stable for the past decade but is substantially below levels in the mid-1980s (production in 1986 was 65.5 million barrels/year, for example), and most observers believe Cameroon's oil production has passed its peak. Oil production accounted for 50 percent of Cameroon's exports (by value), 10 percent of GDP, and 26 percent of total budgeted revenues in 2008. In the first third of 2008 (January-April), the Government of Cameroon (GRC) netted \$500 million in oil revenues, almost double the amount forecast, largely because of higher than expected international oil prices.

¶3. (U) During a recent meeting with the Ambassador, Executive General Manager of the Societe Nationale des Hydrocarbures (SNH, the National Hydrocarbons Corporation parastatal), Adolphe Moudiki acknowledged that Cameroon's known oil reserves are depleting, although he said the rate of decline has slowed since 1993. Cameroon's only large oil reserve, the offshore Rio del Rey basin, has been exploited since 1977 and is running down. There is also a marginal oil reserve offshore near Kribi being drilled by Perenco Cameroon, with an output of 9,608 barrel per day. Cameroon has 59 oil platforms (41 for Total, 12 for Pecten, 6 for Perenco) and 4 oil terminals (including for the Chad-Cameroon pipeline).  
Oil Exploration

¶4. (SBU) SNH is seeking new exploration in hopes that additional reserves will be found. Since 2007, the GRC has sought interest in oil and gas exploration of blocks in Bakassi (752 Km<sup>2</sup>), Bolongo (462 Km<sup>2</sup>), Lungahe (84 Km<sup>2</sup>) and Mokoko West (18 Km<sup>2</sup>). Based on preliminary geological testing, SNH also believes there is oil in the Far North (Logone Birni basin, 27,000 Km<sup>2</sup>), in the North (Garoua, 7800 Km<sup>2</sup>) and in the South West (Mamfe basin, 1775 Km<sup>2</sup>). Moudiki told Ambassador that, despite common perceptions of Bakassi as being oil rich, there is no data on potential oil in Bakassi. "If there is oil in Bakassi it would be a good surprise," he said.

¶5. (U) The continued high price of oil exploration equipment has pushed SNH to partner with foreign oil companies and has raised the

cost of exploration. Nonetheless, investment in exploration doubled from \$101 million in 2006 to \$246.75 million in 2007. Companies engaged in oil exploration come from the United States (Exxon-Mobil, Noble Energy, Kosmos Energy, Rodeo Resources Inc, Sterling Oil and Gas Pty Ltd, Pecten - which also has a UK/Dutch stake); France (Total E & P, Perenco Oil and Gas); Britain (Euroil, owned by Bowleven, Tullow Oil); Australia (Fusion Oil and Gas) ; Malaysia (Petronas); Vietnam (in association with the French company Total) and Switzerland (Addax Petroleum). China will soon enter the sector as well, according to Moudiki.

#### Oil Distribution

16. (U) About 80 percent of Cameroon's domestic fuel consumption is fed from the state-owned refinery SONARA, with imports making up the remaining 20 percent. The SONARA refinery uses lighter crude purchased from either Nigeria or Equatorial Guinea. Government subsidies and price controls keep down the price at the pump. The Cameroonian public is particularly sensitive to oil prices, which constitute an unusually high component of food prices. Rising oil prices contributed to socio-economic pressures that exploded in violent unrest in February 2008. A GRC parastatal, the Oil Price Stabilization Fund (CSPH), recycles oil receipts from SNH into subsidies at the pump. In September 2008, CSPH estimated its subsidy costs at more than \$46 million per month, making the fuel subsidy the largest item in the GRC budget.

17. (U) Downstream distribution operators include Total, Libya oil (which bought out Exxon Mobil's operations), the state-owned Tradex and Chevron-Texaco (which bought out Shell and is about to exit the market). Total accounts for two-thirds of the petroleum sector, with 36 ocean platforms, 5 treatment facilities, and 160 gas stations.

18. (SBU) Moudiki was frustrated that some distribution companies have made decisions at headquarters to sell off their local

YAOUNDE 00000108 002 OF 002

operations and informed the government only afterwards. The GRC does not have the first right of refusal but these sudden sales are disruptive for the market, he said. (Note: We took Moudiki's comment to refer to Shell and Texaco, which have both sold off their Cameroon operations for reasons having to do with global corporate strategy. End note.) Nonetheless, SNH has excellent relations with all the American companies and treats all the operators on a non-discriminatory basis, he added. Ambassador noted that U.S. companies have praised SNH for its expertise and openness.

#### Oil Sector Security

19. (SBU) Moudiki said the GRC is "very worried about security" in the oil sector. He recently met with oil companies and the Ministry of Defense to discuss how to prevent piracy and improve security. He hoped the companies could help in organizing the logistics and possibly in fixing GRC boats but was emphatic that he did not expect the companies to give the GRC money to support their security. Security was not a major concern for the Chad-Cameroon pipeline, he said, since the pipeline is buried underground. Since the meeting with Moudiki, the government has taken some concrete steps to improve the security of offshore oil assets, including providing military escorts for some ships.

#### Gas Potential

110. (U) The GRC boasts 157 billion cubic meters of proven natural gas reserves with an estimated potential for 570 billion cubic meters total in the Rio del Rey and Douala/Kribi-Campo basins. Addex, Euroil, and Glencore are the biggest exploration companies. Developing gas production could take many years, especially since the known supplies are scattered in small quantities, Moudiki said.

111. (U) The state owned SONARA oil refinery produces liquefied natural gas (LNG) and the GRC has discussed the possibility of selling substantial amounts of gas to Equatorial Guinea's LNG company Marathon Oil starting in 2010/2011. However, Moudiki told us he considers it a priority to supply gas for domestic consumption, and SNH is planning a significant expansion in LNG storage facilities. Franco-Belgian consortium Gas de France (GDF) Suez LNG Lt. is due to begin a feasibility study to develop LNG, including onshore extraction for domestic needs, the production of condensate, and the creation of additional capacity for gas-based power generation.

112. (SBU) According to Moudiki, President Biya has urged the GRC

to develop gas-based thermal power. In its first gas thermal power plant project, the GRC has signed an agreement with the U.S. company AES for the construction a gas power plant with a capacity of 150 MW at Kribi. The project is held up by disagreements between AES and SNH over the structure of the partnership and some of the details of the deal. The GRC is also studying the possible construction of a gas-fired power plant at Logbaba, in the outskirts of Douala, with a capacity of 66 MW for an estimated cost of \$80 million. In addition, as a member of the Global Gas Flaring Reduction (GGFR) group, Cameroon hopes to recycle flared gases (estimated in 2005 to total 1.1 billion cubic meters).

Comment

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¶13. (SBU) In response to international pressure linked to the Highly Indebted Poor Country debt relief process, the GRC opened its management of the oil sector to increased transparency, signing up to participate in the Extractive Industries Transparency Initiative (EITI) and moving SNH's transfer to the government into formal accounting mechanisms. But the sector remains under the Presidency's tight control, and recent reports of "off-budget" spending of SNH funds suggest a return to past practices, when SNH was treated as the Presidency's private kitty. With about a third of the national budget derived from oil receipts, Cameroon's leadership recognizes the threat posed by declining reserves and they are turning to new exploration, the potential for gas, and the untapped mining sector to replace the declining oil receipts. The drop in world oil prices (and the upward pressure on the budget, driven by new hiring and food subsidies) has only added to the government's sense of urgency.

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